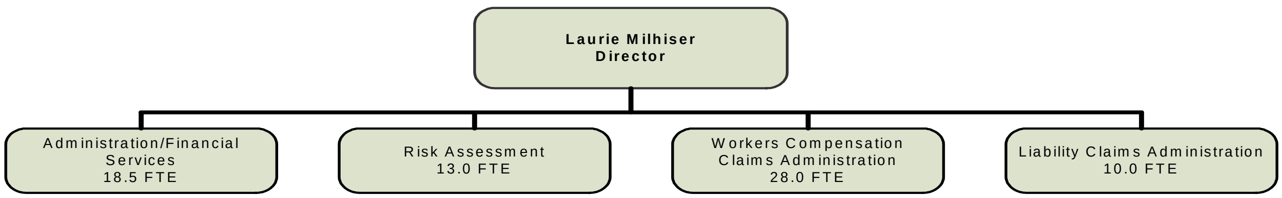
RISK MANAGEMENT
Laurie Milhiser

I. MISSION STATEMENT

Risk Management seeks to minimize the frequency and severity of financial loss to the County through a coordinated Enterprise Risk Management Program which includes identification and assessment of exposures that can result in loss, effective risk reduction and loss prevention programs for identified risks, aggressive claims management, and fiscally responsible risk financing and recovery.

II. ORGANIZATIONAL CHART



III. SUMMARY OF BUDGET UNITS

	2005-06			
	Appropriation	Revenue	Revenue Over/ (Under) Exp	Staffing
Operations	5,865,143	5,865,143	-	70.5
Insurance Programs	56,537,868	94,718,000	38,180,132	-
TOTAL	62,403,011	100,583,143	38,180,132	70.5

IV. DESCRIPTION OF MAJOR SERVICES

The Risk Management Department is composed of four sections. These are safety and loss control, workers' compensation claims administration, liability claims administration, and finance and administration. Safety and loss control staff are assigned to support each of the high-risk areas of county operations such as the Arrowhead Regional Medical Center (ARMC), Sheriff, Fire and Special Districts. Additional safety and loss control staff provide support to other county departments and provide training for county employees in areas such as safe driving and Occupational Safety and Health Administration (OSHA) mandated programs. In the last two years, safety and loss control staff have been focused on reducing repetitive motion injuries through aggressive ergonomic training.

Workers' compensation claims administration staff focus on providing the best possible care to ill and injured workers at the most economical cost. Workers' compensation benefits are defined by the State of California and recent reforms have improved the way care is provided for ill and injured workers and instituted many cost control measures. The workers' compensation claims administrators are charged with understanding and implementing this complicated delivery system while focusing on getting ill and injured workers well and back to work as quickly as possible.

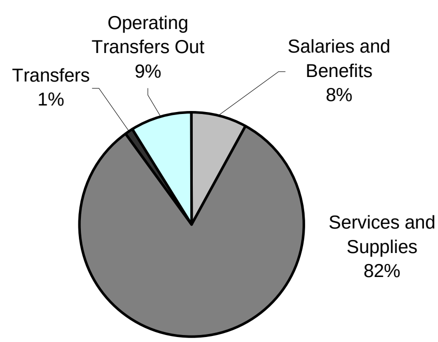
Liability claims administration staff manage the myriad of claims presented by third parties to the county. Liability claims adjusters coordinate the settlement of legitimate claims with insurance carriers and approve payments from self-insurance funds. Working with County Counsel and outside law firms, the adjusters manage the defense of disputed claims and provide support as needed.

The finance and administrative sections of the Risk Management Department oversee approximately $50 million in self-insurance funds. Working with the Director of Risk Management, Administration staff manage all aspects of the county insurance programs and oversee the placement of insurance to provide the broadest possible coverage at the most economical cost. This involves the preparation of underwriting data for the various exposures and generation of regular requests for proposals to brokers and other vendors. This section provides data that is used to make the annual actuarial projections that form the basis for assessments to county departments that fund the various insured and self-insured programs. In addition, staff in the finance section processes all payments to vendors and/or claimants in the liability, workers' compensation, safety, and Emergency Medical Services (EMS) programs.

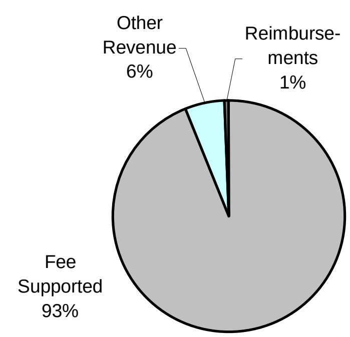
Another aspect of Administration is Risk assessment. Risk assessment, in conjunction with County Counsel, works with various county departments to assure that county contracts contain appropriate risk transfer language and insurance requirements to protect the interests of the county. It also oversees the contract with Insurance Data Services (IDS), a contractor that monitors the documentation of insurance from contractors to verify that required coverage is in place. Risk assessment also works with county departments to assist them in understanding exposures created by contractual relationships and alternatives for managing these.

V. 2005-06 BUDGET - OPERATIONS

2005-06 BREAKDOWN BY EXPENDITURE AUTHORITY



2005-06 BREAKDOWN BY FINANCING SOURCE



VI. GOALS & 2006-07 OBJECTIVES AT CURRENT FUNDING LEVELS

GOALS	2006-07 OBJECTIVES
1. Minimize risk management costs and stabilize premiums charged to county departments.	A. Improve contract management relative to risk transfer B. Reduce the average cost per claim for workers' compensation and general liability
2. Integrate Enterprise Risk Management format into county operations	A. Introduce Enterprise Risk Management concept to county managers B. Develop data and criteria for determining top five risks of financial loss to county

The Risk Management budget is funded by assessments or premiums paid by all county departments. Therefore, controlling the amount of expenditures in the Risk Management budget is beneficial to every budget in the county. Two factors strongly influence the amount of the Risk Management Department budget. These are the frequency of losses (the number of losses or injuries in a given period) and the severity of losses (the actual dollars paid once a loss or injury occurs). However, a third factor also influences the amount charged to other county departments and this is the restoration of fund balances or reserves to cover self-insured or retained losses that fall below insurance levels. During the 1990's, severe budget problems resulted in no premium assessments and, consequently, funds to pay these retained losses were reduced well below prudent levels. In 2003, a commitment was made to restore the fund balances to a prudent level (defined to be the 70% confidence level as estimated by actuarial analysis) by June 30, 2008. Thus,

premiums charged to county departments are based upon the amount of money needed to fund current expenses in Risk Management plus an additional amount to restore the fund balances. Once these prudent reserves have been established, premiums charged to county departments are anticipated to be reduced.
The first goal and related objectives address reducing the cost of losses or claims and the ultimate stabilization or reduction of premiums paid by departments. Improved contract management addresses both frequency and severity of losses by improving the transfer of risks created by the many contracts to which the county is a party. Proposed policy changes will provide more templates for contract creation with more precise language related to indemnification, hold harmless, and insurance provisions. This will result in a better ability to track insurance certificates for contractors. Transferring as many contractual risks as possible to the contracting partner is an integral tool of risk management.

The second objective under the goal of controlling costs is directly related to reducing the severity of losses. Recent changes in the workers' compensation laws of the State of California provide employers with a variety of tools to control medical costs while still providing excellent care for industrially ill or injured employees. Fully implementing the reforms of SB899 and establishing Medical Provider Networks are expected to result in reductions in the cost per claim for workers' compensation cases. Continued aggressive claims management is expected to reduce the cost per claim for liability cases.

The Risk Management Department would also like to address an additional goal that will superficially address loss frequency, but actually proposes a paradigm shift in terms of the overall county approach to risk management. Enterprise Risk Management means aligning an organization's strategy, processes, people, technology and knowledge to meet its risk management purposes. This year we propose to introduce the concept of Enterprise Risk Management through the establishment of a strategy group and the development of pilot programs in at least one department. The first task of the strategy group will be to identify the primary risks of financial loss to the county and then to develop strategies, processes, technology or other techniques to address these risks. The Enterprise Risk Management pilot departments will focus on implementing these strategies, processes, technologies, and/or techniques within their departments with the goal of impacting either the frequency or severity of losses in the primary risk areas.

VII. PERFORMANCE MEASURES AT CURRENT FUNDING LEVELS

OBJT.	MEASUREMENT	2006-07 (Projected)
1A.	Percentage of verified compliance with contractual insurance requirements	80%
1B.	Reduce the cost per claim for workers' compensation and general liability losses.	Workers' compensation ≤ $17,500 General liability ≤ $5,800

If there are questions about this business plan, please contact Laurie Milhiser, Director, at (909) 386-8620.